

**EQUIPMENT DISPOSITION PROCEDURES FOR
ALL STATE AND FEDERAL FUNDS ADMINISTERED BY
PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
BUREAU OF PUBLIC TRANSPORTATION (BPT)
August 2021**

Introduction

The Pennsylvania Department of Transportation (PennDOT) Bureau of Public Transportation retains an interest in all capital assets, both rolling stock and other capital assets, funded in whole or in part with Federal Transit Administration (FTA) program funds or the Commonwealth of Pennsylvania's transit assistance programs.

All vehicle disposition requests should be directed to the public transit provider's PennDOT Capital Project Coordinator.

The procedures set forth in this document describe the requirements of the PennDOT BPT for the disposition of capital assets. The Federal Transit Administration (FTA) publishes their own requirements in the [Award Management Requirements Circular \(5010.1E\)](#).

I. Disposition Procedure - Prior to Expiration of Useful Service Life

The planned disposition of any capital asset, both rolling stock and other capital assets, funded by a Federal Transit Administration (FTA) program administered by BPT or by a state program before the end of the asset's service life must receive Department written concurrence prior to the Grantee taking any disposition action. The service life for each common asset type is defined in the "PennDOT BPT Estimated Service Life (ESL) for Capital Items" document, attached to this document as Attachment A.

If an asset is removed from service before the end of its Estimated Service Life (ESL), the amount refunded by the grantee to the state and federal government is the state and federal share of the unamortized value of the asset's remaining service life, based on straight line depreciation of the original purchase price of the asset. Without the State's prior written approval to dispose of an asset before the completion of the asset's ESL, the grantee would have to refund the state/federal share of the asset's unamortized value. All funds received as a result of a PennDOT approved disposition of an asset must be placed in an interest-bearing account for a future capital purchase or operating expense that supports public transportation service.

For vehicles, straight line depreciation shall be based on the age or mileage of the asset at

the time of disposition in comparison to total number of years or miles of the ESL designated for that asset (See Section VI). If the amount recovered by the grantee exceeds the remaining value of the asset then the state/federal share will be calculated on the recovered amount.

A refund of state/federal funds can be waived under the conditions explained below:

1. Transfer Disposition - If, due to operational changes, the asset is no longer needed by the grantee but could be used in transit service, the grantee shall request in writing (via the Capital Planning Tool) that the Department transfer the asset to another Pennsylvania program grantee. If the Department is able to transfer the asset, no refund of state and federal funds will be required of the original grantee.
2. Substitution Disposition - If the grantee wishes to substitute another asset for an asset prior to the end of ESL of the asset being retired, the grantee shall make a written request (via the Capital Planning Tool) to the Department for approval of the substitution. Examples for allowing the substitution might be premature equipment failure or obsolescence of the asset to be retired. If the Department approves the request, no refund of state and federal funds is required (conditioned on the proceeds being used to purchase the replacement property), unless the fair market value of the replacement asset is less than the fair market value of the asset being replaced. In that case, the Department requires the grantee to refund the difference between the two values.
3. Extenuating Circumstances Disposition - Grantees wishing to dispose of a capital asset prior to the end of its ESL due to extenuating circumstances may make a written request (via the Capital Planning Tool) to the Department demonstrating that the ESL of the asset was reached because the cost to operate or maintain the asset now exceeds any benefits of retaining it. Additional information such as maintenance records or documentation showing due diligence in pursuing remedies with the manufacturer may also be required. Examples of extenuating circumstances can include: premature equipment failure; obsolescence of the asset; marginal or poor asset condition ratings; etc. If the request is approved by the Department, the grantee may dispose of the asset (in a manner in which the fair market value of the asset is obtained) and retain the proceeds from the sale of the asset (Conditions Section V.), or use the asset for spare parts (Conditions Section IV).
4. Disposition of Property after Fire, Natural Disaster or Other Major Incident - Grantees wishing to dispose of a capital asset prior to the end of its ESL due to major damage incurred due to fire, natural disaster, or other major incident may make a written request (via the Capital Planning Tool) to the Department demonstrating that the asset can no longer be feasibly operated or repaired. Additional records or documentation regarding the damage sustained may also be required.

If the request is approved by the Department, the grantee may dispose of the asset and no refund of state and federal funds would be required, applying the requirements of subsection 2 (Substitution Disposition) above. Fair market value, as applied in the Substitution Disposition procedures above, shall be calculated as it was immediately

prior to the damage. The grantee shall use any insurance proceeds resulting from the damage to either apply to the cost of replacing the asset (Substitution Disposition), or to refund the equivalent state and federal shares of those proceeds, proportional to the original state and federal share of the asset value.

If any damage to the asset results from abuse or misuse occurring with the grantee's knowledge and consent, the Department reserves the right to withhold approval and require the refund of the state and federal share of the asset, per the requirements in the second paragraph of Section I above.

II. Disposition Procedure - After Expiration of Useful Service Life

After the ESL of any FTA- or State-funded asset has expired, the grantee may, without prior approval by the Department, use the asset for spare parts (if the Spare Parts Criteria described below is met), or dispose of the asset and retain the proceeds from the sale of the asset (if the proceeds are used in accordance with the Retained Sale Proceeds Criteria described below). If the asset is sold, grantees are required to establish and follow written procedures for determining the fair market value of the asset so that the proceeds from the sale of the asset is equal to or greater than the fair market value of the asset. When a grantee disposes of equipment with a unit value of more than \$5,000, or supplies with an aggregate residual value of more than \$5,000, the grantee must provide the Department written notification of the spare parts usage or disposition within thirty (30) days after its occurrence.

III. Suggested Methods for Obtaining Fair Market Value

The following are suggested methods that grantees may use for obtaining fair market value:

1. Solicit bids for the acquisition of the asset by advertising in at least one newspaper of general circulation and sending a description of the asset to at least three potential bidders. Both the ad and the description should include instructions for deadlines and submission of bids; or
2. In an Invitation for Bids for the purchase of a new capital asset, include the asset to be disposed of as a trade-in; or
3. Have the asset appraised by at least two qualified appraisers and
 - a. Offer the asset for sale at the average appraised value; or
 - b. Take the asset to auction and require a minimum offer equal to the average appraised value.

IV. Spare Parts Criteria

If it is determined that the value of the parts of an asset are of greater value than the asset

as a whole, the asset may be retained by the grantee and used for spare parts. In this event, the grantee must document the estimated value of the spare parts as compared to an appraised value of the asset.

V. Retained Sale or Insurance Proceeds Usage Criteria

Sale or insurance proceeds from any FTA funded program administered by BPT or from a state program must be retained in an interest-bearing capital reserve account and must be used for transit-related operating or capital projects. All interest earned on sale or insurance proceeds must be reported to BPT.

VI. Straight Line Depreciation Model

1. Example

Original Purchase price of vehicle \$600,000

Useful Service Life = 12 years or 500,000 miles.

Actual vehicle details at time of retirement, 6 years and 200,000 miles.

Straight line Depreciation Calculation

Actual Service Life (Years) = $\$600,000 - [(\$600,000/12 \text{ yrs}) \times 6 \text{ yrs}] = \$300,000$ Actual

Service Life (Miles) = $\$600,000 - [(\$600,000/500,000 \text{ mi}) \times 200,000 \text{ mi}] = \$360,000$

Conclusion

The Service Life based on years is the lesser value of the two measures; therefore, in this example the Service Life based on years (\$300,000) will represent the remaining value of the asset.

The funding percentages used in the original vehicle purchase will then be used to determine the remaining state/federal share of the depreciated asset.

ATTACHMENT A
PennDOT Bureau of Public Transportation Estimated Useful Life (ESL) for
Capital Items